



Vodacom Group Limited
Interim results
for the six months ended
30 September 2020

Ready?



Shameel Joosub, Vodacom Group CEO commented:

Having responded rapidly to help curb the spread of COVID-19 earlier in the year, Vodacom Group has turned its attention to contributing meaningfully to the economic recovery in markets where we operate following the often devastating impacts of the global pandemic on society.

Through a wide range of initiatives, including free devices and airtime for healthcare workers, cash donations and strategic partnerships, we continue to deliver on our Social Contract with stakeholders to contribute positively to a number of pressing societal challenges. For example, we prioritised the resilience of our networks, accelerated support to governments via donations of handsets, connectivity and medical equipment and made contactless payments more accessible through zero-rated services and an expanded M-Pesa ecosystem to address social distancing challenges. In addition, and given that collaboration is instrumental to the economic recovery, we remain committed to establishing innovative partnerships with an emphasis on health, education, free public benefit services, big data analytics and financial services to complement those already concluded in recent times with Alipay, Discovery Health and Microsoft.

To help cope with sharp increases in data traffic and shifts in customer behaviour patterns, we accelerated network infrastructure spend over the six-month period to R6.6 billion, including R5.0 billion in South Africa, keeping families connected, enabling businesses to operate, facilitating online learning and assisting governments in providing critical services.

In South Africa, data usage surged +86%, as connectivity demands changed with a need to work, entertain and educate from home, and as we made substantial reductions in monthly data bundle tariffs. Also, the launch of ConnectU, which provides zero-rated access to a wide range of websites, including job portals and online learning platforms and discounted offers for poor communities, supported higher usage.

Considering the magnitude of challenges arising from the pandemic in the past six months, it is particularly pleasing that we recorded a solid financial performance at Group level, where service revenue increased 7.0%. This was underpinned by strong growth from our Consumer and Enterprise businesses in South Africa, where service revenue rose 7.1% despite reductions of up to 40% in monthly data bundles which came into effect on 1 April 2020.

In line with our strategy of delivering great value and an exceptional experience to our customers, we recently launched our loyalty programme "VodaBucks" to complement personalised and segmented offers to customers. These draw on our expertise in artificial intelligence and machine learning to enhance customer engagement and provide financial relief at a time when consumers are increasingly under pressure.

Investment into digital innovation is key to the Group's growth outlook of which our Financial Services business is an important enabler. In partnership with Alipay, Vodacom Financial Services is developing a single lifestyle app for both customers and merchants that promotes greater financial inclusion. Already, our execution in the financial services space in South Africa is evidenced by the rapid growth of Airtime Advance and insurance services. Airtime Advance customers increased 14.1% to 10.1 million.

While initiatives such as free peer-to-peer (P2P) M-Pesa transactions at the onset of COVID-19 impacted the financial performance of our International portfolio, it played an important role in facilitating economic activity in addition to being the right thing to do for customers. Subsequently, this has supported



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accelerated platform growth and customer adoption of digital channels to the point where the M-Pesa ecosystem now processes US\$20.5 billion a month in transactions across our International markets, including Safaricom, and contributed R8.0 billion in revenue in the period.

Following a sustained period of very strong growth, the performance of our International operations was impacted by disrupted economies and livelihoods on the back of COVID-19, resulting in a 5.2%* decline in service revenue in constant currency terms. Our reported results show service revenue growth of 5.8%, benefitting from rand weakness. We expect consumer spend to recover as trading and economies re-open from lockdowns.

Our strategic investment in Safaricom delivered a 52.2% boost in our operating profit, buoyed by currency factors and a one-off deferred tax rate adjustment of R0.8 billion. Safaricom's local currency results reflect the impact of depressed economic activity and lower M-Pesa P2P monetisation, related to the COVID-19 pandemic. Safaricom accelerated capital expenditure by 25.5%, supporting platform growth and a notable financial improvement into the second quarter compared with the first quarter.

Looking forward, we remain cautious about the pace of economic recovery across our markets as disposable income will remain under pressure as a result of unemployment and depressed economic activity. Still, we remain steadfast in our quest to entrench Vodacom Group as a leading pan-African technology company and firmly believe that our investment into financial, digital and lifestyle services will increasingly provide opportunities to deepen our relationship with the 120 million customers who choose to use the Vodacom Group network across our footprint.

Highlights

Group revenue up

7.8% (4.7%*)

to **R47.8 billion**,
underpinned by service revenue growth
of 7.0% (3.4%*).



South Africa service revenue
grew

7.1% 

driven by an acceleration in customer service
revenue in the second quarter.

Added

4.1 million 

customers, to serve a combined 120 million
customers across the Group, including
Safaricom.

Total financial services customers,
including Safaricom, up

12.6% 
or 6.1 million to 54.8 million.

Earnings per share up

15.6% 

and headline earnings per share up 15.7%,
boosted by a one-off deferred tax rate
adjustment of R0.7 billion¹ in the period.

Free cash flow up

92.1% 

to R5.3 billion, reflects growth in cash generated
from operations and the timing of the Safaricom
dividend receipt.

Declared an **interim dividend** of

415cps, up 9.2%,
supported by headline earnings
growth from our consolidated
companies and the Safaricom
dividend receipt.



Medium-term targets reinstated.

1. In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.

Statutory performance measures

	Six months ended 30 September		% change	
Rm	2020	2019	Reported	Normalised*
Revenue	47 844	44 389	7.8	4.7
Service revenue	38 515	36 003	7.0	3.4
EBITDA	19 433	18 166	7.0	5.1
Net profit from associate and joint ventures ¹	2 571	1 673	53.7	(6.0)
Operating profit ¹	14 465	12 883	12.3	3.1
Net profit ¹	9 271	8 199	13.1	
Earnings per share (EPS) (cents)	533	461	15.6	
Headline earnings per share (HEPS) (cents)	532	460	15.7	
Interim dividend per share (cents)	415	380	9.2	
Special dividend per share (cents)	–	60	(100.0)	

Alternative performance measures

	Six months ended 30 September		% change
Rm	2020	2019	Reported
Capital expenditure ²	6 551	6 349	3.2
Operating free cash flow ³	6 848	7 476	(8.4)
Free cash flow ³	5 280	2 749	92.1

Notes:

1. In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.
2. Detail relating to capital expenditure is on page 13.
3. A reconciliation of operating free cash flow and free cash flow is set out on page 52.

Certain financial information presented in this results announcement constitutes *pro-forma* financial information in terms of the JSE Listings Requirements. The applicable criteria on the basis of which this *pro-forma* financial information has been prepared is set out in the supplementary information on pages 48 to 52. The *pro-forma* financial information includes:

- * Normalised growth, which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable, tax related adjustment where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) to show a like-for-like comparison of results. Amounts marked with an * in this document represent normalised growth as defined above. All growth rates quoted are year-on-year and refer to the six months ended 30 September 2020 compared to the six months ended 30 September 2019, unless stated otherwise.

Operating review

South Africa

Summary financial information

	Six months ended 30 September		% change
Rm	2020	2019	Reported
Service revenue	27 618	25 797	7.1
EBITDA	15 294	13 916	9.9
Operating profit	10 296	9 170	12.3
Capital expenditure	5 028	4 777	5.3

South Africa reported strong service revenue growth of 7.1% (1Q: +6.4%, 2Q: +7.7%) despite sharp mobile data price cuts in the period. We captured increased demand for connectivity and financial services as customers continued to work, entertain and educate from home. The performance was supported by accelerated investment in networks and digital IT capabilities. In 2Q, we also benefitted from a R142 million non-cash adjustment to service revenue related to our loyalty programme provision. Excluding that one-off benefit, underlying service revenue growth was 6.5% (2Q: +6.7%). Revenue grew by 8.2%, underpinned by service revenue growth, a recovery in equipment sales in the second quarter and the ongoing roll-out of Rain sites during the period.

In the prepaid segment, mobile customer revenue increased 8.3% as demand for our services surged and we captured positive price elasticity. The strong performance reflected our ability to attract a greater share of wallet through accelerated investment, reasons to consume and active days' management initiatives, and despite sharp data price reductions on 1 April 2020. We added 3.4 million customers quarter-on-quarter to reach 36.7 million. ARPU increased 20.8% to R64, supported by increased usage and the reduction in the average customer base over the period.

In the contract segment, customer service revenue increased 3.9% supported by our enterprise division, Vodacom Business, which rapidly responded to changed education and work connectivity needs. Despite the tough economic backdrop, we added customers in the contract segment, to grow 2.0% to 6.1 million. The segment's additions were driven by Vodacom Business customers, which were up 14.8%. Overall contract ARPU increased 0.3% and 2.8% quarter-on-quarter.

Our data usage trends reflected our initiatives to provide COVID-19 relief, support higher customer demand and drive 4G device adoption. Since the launch, a cumulative 10.9 million unique users have accessed our zero-rated platform ConnectU. Data traffic was up 86.0% year-on-year for the period. Our data customers grew 4.1% to 22.3 million and smart devices were up by 9.5% to 22.2 million. The number of 4G devices on our network increased 28.8% to 14.2 million while the average usage per smart device increased 64.0% to 2.2GB per month.

We accelerated our fibre roll-out in the six-month period, more than doubling the total number of homes and businesses connected to 95 258¹. Our owned fibre passed 128 213 homes and businesses as at 30 September 2020.

Our financial services results reflect our execution capability in this space and ongoing expansion of service offerings. We grew revenue 15.0% for the period to R1.1 billion, with 12.5 million customers using a financial services product. We advanced R5.7 billion in airtime (38% of total recharges) via our Airtime Advance platform to 10.1 million customers. Insurance policies increased 23.4% to 2.0 million, with revenue up 13.5%. We are actively working on the integration of the Alipay platform and build of our financial services ecosystem.

Vodacom Business service revenue increased 11.1% to R7.6 billion, supported by our innovative work-from-home solutions. Our Vodacom Business fixed-line revenue grew 11.4%, excluding wholesale transit, supported by strong growth in cloud and hosting and connectivity revenue. IoT connections increased 19.3% to 5.5 million with revenue growth of 45.7%.

1. Including Bitstream, which refers to where we act as an internet service provider (ISP) to fibre wholesalers.

EBITDA grew 9.9% (margin +0.6 pts) as strong revenue growth supported operational leverage. COVID-19 also provided a cost phasing tailwind in the period, with constraints on publicity and travel spend. Excluding the impacts of the one-off in service revenue of R142 million in the current period and the R177 million¹ IFRS 15 adjustment to revenue in the prior year, underlying EBITDA growth was 7.4%.

Our capital investment of R5.0 billion was up 5.3% year-on-year, as we accelerated investment into batteries to increase resilience and network availability, and investment to support incremental capacity.

The allocation of temporary spectrum also supported network capacity during the period. South Africa's operating free cash flow was impacted by working capital outflows related to accelerated capex investment and the timing of inventory payables.

Into the second half of the financial year, we anticipate pressure on the consumer wallet from strained disposable income levels, and a normalisation in the work-from-home trend. From a cost perspective, we will look to deploy some of the first half savings related to phasing into the second half.

International

Summary financial information

	Six months ended 30 September		% change	
Rm	2020	2019	Reported	Normalised*
Service revenue	11 409	10 780	5.8	(5.2)
EBITDA	4 218	4 298	(1.9)	(8.1)
Operating profit	1 706	2 094	(18.5)	(22.5)
Capital expenditure	1 522	1 571	(3.1)	

Our International operations reported service revenue growth of 5.8%, benefitting from rand weakness in the period. Normalised service revenue declined by 5.2%*, reflecting the disruption to our commercial activities as a result of the informal structure of the economies in which we operate, increased pressure on consumer spend, lower M-Pesa peer-to-peer (P2P) monetisation and the impact of service barring in Tanzania due to biometric registration compliance. Our lower P2P monetisation supported growth of M-Pesa users, volumes and loans.

Our customer base increased 5.5% to 38.6 million, with net additions of 924 000 in the second quarter reflecting some improvement in our commercial activities relative to the first quarter. In addition to subdued commercial activities as a result of COVID-19, the customer base growth rate was negatively impacted by the barring of service to 2.9 million SIM cards in Tanzania, in the final quarter of the previous financial year, in accordance with local regulation. Tanzania has since reconnected 793 000 of these SIM cards.

Data services remain a key lever of growth and central to our commitment of connecting for a better future. In the second quarter, and consistent with voice, data customer net additions reflected an improvement in our commercial activities relative to the first quarter. We added 459 000 new customers to end the period at 20.4 million data customers. Of these customers, only 10.7 million were on smartphones. We continue to drive the adoption of affordable smartphone devices by leveraging partnerships with global tech firms and innovative financing options. Overall data traffic growth for the six months was buoyant at 50.0%, as a result of network investments and affordable commercial propositions. Data revenue grew 4.8% in local currency.

M-Pesa revenue was up 14.1% (-1.4%*) to R2.2 billion. Normalised growth was impacted by free P2P services in most markets. Lower P2P monetisation and product innovation did however accelerate service adoption and platform growth as customers and governments adopted digital ways of working. In the second quarter, the M-Pesa ecosystem across our International markets

1. In the prior period, we refined our IFRS 15 model to more accurately reflect contract performance obligations. This impacted a small number of contracts for which a R177 million negative adjustment to equipment revenue relating to prior years, was made during the period.

Operating review

continued

processed more than US\$4.3 billion a month in transactions, up 20.0% (1Q: 15.5%). M-Pesa customers increased 8.8% to 15.6 million representing 40.3% of our customer base. Songesha, our lending product in Tanzania, has extended nano and small loans to 2.4 million customers, with facilities of TZS127 billion granted during the period.

International EBITDA declined by 1.9% (-8.1%)*, while margins contracted by 2.7ppts to 35.9%. The EBITDA performance reflects the service revenue decline, which was mitigated by cost containment initiatives.

Our capital investment of R1.5 billion was focused mainly on expanding the 4G network. Our network reach improved by 133 3G and 693 4G base stations, for the six-month period ended 30 September 2020, and we continued to invest in our transmission networks to retain our network lead in all our markets.

Looking ahead, we see scope for consumer spend to recover as trading and economies re-open from lockdowns. This should support improved transaction volumes for our services and M-Pesa P2P monetisation.

Safaricom

Safaricom results reflect the impact of depressed economic activity and free M-Pesa P2P related to the COVID-19 pandemic, with service revenue declining 4.8% for the six months ended September 2020. Safaricom ensured that its network, operations and maintenance and financial services were prioritised to limit disruptions. Capital expenditure was KShs22.8 billion for the six-month period, up 25.5% year-on-year, with 4G coverage up to 91% from 77% as at 31 March 2020.

Safaricom's commitment to its strategic goals, supported platform growth for M-Pesa and higher connectivity usage. Safaricom added 1.9 million M-Pesa customers and 2.5 million total customers for the six-month period ended 30 September 2020. Mobile data grew 14.1% sustaining the recovery from the prior year, with 4G devices using more than 1GB up by 60.6%. Fibre-to-the-home customers grew 56.8% as Safaricom supported work and learn-from-home with higher bandwidth.

Free fees for M-Pesa P2P transaction with values of less than KShs1 000 weighed on service revenue growth. Despite lower P2P monetisation, M-Pesa service revenue recovered from a decline of 21.5% in the first quarter to a 7.5% decline in the second quarter. The recovery was supported by platform growth and

product adoption, with M-Pesa customers up 13.5% and the total value of M-Pesa transactions up 32.9% to KShs9.0 trillion. Overall, Safaricom's service revenue decline of 8.4% in the first quarter improved to a decline of 1.2% in the second quarter.

On a rand reported basis, Safaricom contributed R2.5 billion to our operating profit, +52.2% year-on-year. The contribution to operating profit was buoyed by a one-off deferred tax rate adjustment of R0.8 billion¹ and a weaker rand. On a normalised basis, Safaricom's contribution to our operating profit declined by 7.4%.

Growth rates are in local currency and year-on-year, unless otherwise stated.



Safaricom results announcements are available here: www.safaricom.co.ke/investor-relation/financials/reports/financial-results.

Regulatory matters

ICASA – Invitation to Apply

ICASA issued two separate Invitations to Apply (ITA) on 2 October 2020 regarding the assignment of High Demand Spectrum (HDS) in South Africa. The first ITA sets out ICASA's licensing process for the purpose of operating a wireless open access network (WOAN). The second ITA sets out the licensing process for exclusive use of HDS including: spectrum lots and associated reserve prices and obligations; spectrum caps and floors; and the auction format. As a result of the two licensing processes, South Africa's HDS bandwidth will increase from 609 MHz to 1015 MHz. ICASA expects that the HDS auction will be completed by 31 March 2021, and extended the validity period of the emergency temporary spectrum accordingly. We welcome progress on spectrum assignment, seeing it as instrumental in the data pricing dynamic of our largest market.

ICASA inquiry into mobile broadband services

On 16 November 2018, ICASA gave notice of its intention to conduct an inquiry into mobile broadband services. The purpose of the inquiry is to assess the state of competition, and to determine whether there are markets or market segments within the mobile broadband services value chain that may require

1. In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.

regulatory intervention in terms of Chapter 10 of the Electronic Communications Act, 2005.

ICASA issued a discussion document on 29 November 2019 for comment, setting out its findings from its initial investigation of the mobile broadband services market, proposing remedies where they found insufficient competition. These findings included aspects of retail pricing; site access; wholesale roaming; spectrum; MVNO and APN services.

Following our constructive engagement with the Competition Commission and intervention on retail pricing in South Africa, we expect the focus of the inquiry to shift towards wholesale aspects of competition. Our proposal is for other elements of regulation, such as the licensing of high demand spectrum (and the WOAN), to take its course before ICASA contemplates additional wholesale remedies.

Tanzania customer registration

On 1 May 2019, the TCRA issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), as the only accepted identification. From January 2020 until March 2020, a total of 2.9 million SIM cards were barred from service, with around 800 000 SIM cards since reconnected.

On 7 February 2020, the Government published new Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards. The Regulations also introduced limitation on ownership of the number of SIM cards for individuals and companies or institutions effective from 1 July 2020.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider, to verify their SIM card's ownership by 31 July 2020 through their mobile phones. Further, the TCRA and mobile network operators implemented a process that allows customers to request an approval for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers continue to use both processes to apply for approval of additional SIM cards.

Lesotho licence update

In December 2019, the Lesotho Communications Authority (LCA) issued a notice of enforcement proceedings against Vodacom Lesotho on the basis of its opinion of non-independence of the company's external auditors. In February 2020, the LCA directed Vodacom Lesotho to show cause on why Vodacom Lesotho's communications licence should not be withdrawn. In May 2020, following several engagements with the LCA, Vodacom Lesotho made written representations against the revocation of its licence. In September 2020, the LCA notified Vodacom Lesotho that it was to be fined M134 million (R134 million), of which 70% was suspended for five years. Vodacom Lesotho notified the LCA of its intention to challenge the lawfulness of this decision. On 8 October 2020, the LCA issued a notice of revocation of the operating licence of Vodacom Lesotho. On 9 October 2020, Vodacom Lesotho launched an application in the Lesotho High Court to have both determinations of the LCA imposing the fine M134 million and revoking its operating licence, respectively, reviewed and set aside. The Lesotho High Court has, in the meantime, issued an interim order interdicting the LCA from, *inter alia*, enforcing the payment of the said fine and revoking Vodacom's Lesotho's operating licence. The matter will next be heard in the High Court on 27 November 2020. Further, with respect to the alleged non-independence of the external auditors of Vodacom Lesotho, the Group still holds the view that appropriate safeguards were put in place to mitigate potential conflicts of interest.

Environmental, social and governance recognition

Our efforts to drive digital and financial inclusion while reducing our carbon footprint has been recognised by Sustainalytics, a leading independent global provider of environmental, social and governance (ESG) ratings to investors. In September 2020, it ranked Vodacom 2nd out of almost 200 companies in its Telecommunications Service industry grouping and in the top 5% of its Global Universe of 13 000 companies.

Operating review

continued

Outlook and medium-term targets

The COVID-19 pandemic has highlighted the importance of telecommunication and financial services across our markets, with many of our customers having accelerated their adoption of digital services. Our commitment to connect for a better future twinned with our investment into people, networks and platforms should facilitate this shift towards digital enablement over the medium-term.

Our evolution from a telecommunication to a technology company is well on track as we expand our ecosystem of products. Our offerings span digital and financial services, IoT and personalised connectivity, to deliver a 360 degree customer experience. We already provide financial services to 55 million customers, including Safaricom, with our "nano" payments, lending and savings solutions accelerating financial inclusion. We see significant opportunities ahead, in both the consumer and enterprise segments, as we enhance our existing AI capabilities and real-time management information systems with our landmark Alipay agreement.

The strength of our balance sheet allows us to lead our business through volatility and the anticipated levels of economic downturn expected over the short-to-medium term. We have low gearing of 0.9 times net debt to EBITDA (including leases), and limited debt repayments in the short-term, with sufficient facilities to maintain liquidity. 81% of our debt is rand denominated, limiting the foreign currency exposure. Our debt structure, excluding leases, is split 46% fixed and 54% floating debt, with our fixed component of debt protecting against significant adverse interest rate movements, while our floating rate debt allows us to participate in lowered interest rates.

Our 'Fit for growth' initiatives are well embedded in our operations, and to a large extent are structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business, where required.

As the effects of the COVID-19 pandemic continue to unfold, the economic outlook for our markets remains uncertain. We do however expect this outlook to improve into FY22. This view is informed by global research providers and financial institutions such as the International Monetary Fund (IMF). This assumption of economic improvement, together with the relative demand resilience for our services to date, provides the basis for reinstating medium-term targets as follows:

1. Mid-single digit Group service revenue growth
2. Mid-single digit Group operating profit growth (including profit from associate – Safaricom)
3. 13.0% – 14.5% of Group capital expenditure as a % of Group revenue

These targets are on average, over the next three years, and are on a normalised basis in constant currency, excluding spectrum purchases, exceptional items and any merger and acquisition activity. In constant currency, we expect operating profit growth for FY21 to trend below our medium-term target level. However, we expect ongoing rand weakness to provide an uplift to the constant currency operating profit growth in FY21.

Financial review

Summary financial information

Rm	Six months ended 30 September		% change	
	2020	2019	Reported	Normalised*
Revenue	47 844	44 389	7.8	4.7
Service revenue	38 515	36 003	7.0	3.4
EBITDA	19 433	18 166	7.0	5.1
Net profit from associate and joint ventures ¹	2 571	1 673	53.7	(6.0)
Operating profit ¹	14 465	12 883	12.3	3.1
Net profit ¹	9 271	8 199	13.1	
Capital expenditure	6 551	6 349	3.2	
Operating free cash flow ²	6 848	7 476	(8.4)	
Free cash flow ²	5 280	2 749	92.1	
Net debt	36 644	41 357	(11.4)	
Basic earnings per share (cents)	533	461	15.6	
Headline earnings per share (cents)	532	460	15.7	
Contribution margin (%)	63.2	63.6	(0.4 ppts)	
EBITDA margin (%)	40.6	40.9	(0.3 ppts)	
Operating profit margin (%)	30.2	29.0	1.2 ppts	
Effective tax rate (%)	26.0	27.3	(1.3 ppts)	
Net profit margin (%)	19.4	18.5	0.9 ppts	
Capital intensity (%)	13.7	14.3	(0.6 ppts)	
Net debt/EBITDA (times)	0.9	1.1	(0.2 times)	

1. In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.
2. A reconciliation of operating free cash flow and free cash flow is on page 52.

Financial review

continued

Service revenue

Rm	Six months ended 30 September		% change	
	2020	2019	Reported	Normalised*
South Africa	27 618	25 797	7.1	7.1
International	11 409	10 780	5.8	(5.2)
Corporate and eliminations	(512)	(574)	(10.8)	(10.8)
Group service revenue	38 515	36 003	7.0	3.4
Safaricom ¹	19 211	17 650	8.8	(4.8)

Group service revenue grew 7.0% (3.4%*) to R38.5 billion, supported by South Africa and foreign exchange translation benefits in International.

In South Africa, service revenue increased 7.1% to R27.6 billion, supported by an increase in data usage as more customers worked, entertained and educated from home during the last six months. Excluding a one-off adjustment for the loyalty programme provision of R142 million in the current period, service revenue grew 6.5%. In the second quarter, an acceleration of customer service revenue offset the impact of the Telkom roaming deal lapping. Wholesale roaming revenue is included in other service revenue.

In our International operations, reported service revenue growth benefited from the weaker rand with reported growth at 5.8%. Normalised service revenue declined 5.2%* to R11.4 billion and was impacted by lower P2P M-Pesa monetisation as well as pressure on consumer spend. Safaricom service revenue increased 8.8% in rands but declined 4.8% in local currency. The service revenue trend was negatively impacted by the lower P2P M-Pesa monetisation.

Total expenses²

Rm	Six months ended 30 September		% change	
	2020	2019	Reported	Normalised*
South Africa	21 427	20 036	6.9	7.0
International	7 495	6 800	10.2	(2.8)
Corporate and eliminations	(537)	(624)	(13.9)	(13.9)
Group total expenses	28 385	26 212	8.3	4.8

Group total expenses increased 8.3% (4.8%*) to R28.4 billion.

In South Africa, expenses increased 6.9% (7.0%*) to R21.4 billion as a result of higher costs related to our roaming agreement with Rain. Excluding the Rain impact, total expenses grew 3.0%, benefitting from the decline in publicity costs of 29.9%. International expenses increased 10.2% (-2.8%*) to R7.5 billion due to foreign exchange translations. In local currency, lower direct costs were offset by pressure on other operational expenditure.

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

2. Excluding depreciation, amortisation and impairments.

EBITDA

Rm	Six months ended 30 September		% change	
	2020	2019	Reported	Normalised*
South Africa	15 294	13 916	9.9	9.8
International	4 218	4 298	(1.9)	(8.1)
Corporate and eliminations	(79)	(48)	64.6	64.6
Group EBITDA	19 433	18 166	7.0	5.1
Safaricom ¹	10 267	9 703	5.8	(7.3)

Group EBITDA increased 7.0% (5.1%*) to R19.4 billion at a margin of 40.6%. South Africa EBITDA grew 9.9% (9.8%*) to R15.3 billion. Growth was supported by higher revenue growth in the period and by the phasing of certain expenses such as publicity and travel. Adjusted EBITDA growth in South Africa was 7.4%, accounting for the one-off loyalty programme provision adjustment in the current period of R142 million, and the IFRS 15 adjustment of R177 million² in the prior period. EBITDA in our International operations declined 1.9% (-8.1%*) to R4.2 billion and margins fell by 2.7pts due to lower revenue growth.

Operating profit

Rm	Six months ended 30 September		% change	
	2020	2019	Reported	Normalised*
South Africa	10 296	9 170	12.3	12.1
International	1 706	2 094	(18.5)	(22.5)
Safaricom ³	2 546	1 673	52.2	(7.4)
Corporate and eliminations	(83)	(54)	53.7	53.7
Group operating profit³	14 465	12 883	12.3	3.1

Group operating profit increased 12.3% (3.1%*) to R14.5 billion. In South Africa, operating profit was up 12.3% (12.1%*) to R10.3 billion. Also adjusting for the one-off IFRS 15 adjustment in the prior year of R177 million² and the loyalty programme provision adjustment of R142 million in the current year, operating profit grew 8.5%. International operating profit declined 18.5% (-22.5%*) to R1.7 billion as EBITDA declines were compounded by higher depreciation and amortisation.

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.
2. In the prior period we refined our IFRS 15 model to more accurately reflect contract performance obligations. This impacted a small number of contracts for which a R177 million negative adjustment to equipment revenue relating to prior years was made during the period.
3. In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.

Financial review

continued

Net finance charges

	Six months ended 30 September		% change
Rm	2020	2019	19/20
Finance income	443	456	(2.9)
Finance costs	(2 161)	(2 196)	(1.6)
Net finance costs	(1 718)	(1 740)	(1.3)
Net (loss)/profit on remeasurement and disposal of financial instruments	(223)	140	>(200.0)
Net finance charges	(1 941)	(1 600)	21.3

Net finance charges increased 21.3% to R1.9 billion while the average cost of debt decreased from 8.9% to 7.9%. The increase in net finance charges largely relates to foreign exchange losses on the remeasurement of cash balances in the DRC.

Taxation

The tax expense of R3.3 billion was 5.5% higher than the prior year (1H20: R3.1 billion) due to the increased profit before tax of the Group and its subsidiaries.

The effective tax rate decreased to 26.0% for the current period (1H20: 27.3%) mainly due to the increase in after tax profits from the Group's associates and joint ventures which is included in Group's profit before tax. The increase in the after tax profits from the Group's associates and joint ventures were primarily due to the decrease in the corporate tax rate in Kenya. The corporate tax rate decreased from 30% to 25% for the current financial year.

Earnings

	Six months ended 30 September		% change
	2020	2019	19/20
Earnings per share (cents)	533	461	15.6
Headline earnings per share (cents)	532	460	15.7
Weighted average number of ordinary shares outstanding for the purpose of calculating EPS and HEPS (million)	1 695	1 698	(0.2)

EPS and HEPS grew at 15.6% and 15.7% respectively. The growth benefitted from the tax rate change in Kenya, which positively impacted net income by R705 million. Excluding the one-off adjustments¹, remeasurement gains losses, and Kenyan tax rate change, HEPS grew 6.1%.

1. In the current period, a R142 million non-cash adjustment relating to our loyalty programme provision and in the prior period we refined our IFRS 15 model to more accurately reflect contract performance obligations. This impacted a small number of contracts for which a R177 million negative adjustment to equipment revenue relating to prior years was made during the period.

Dividend

	Six months ended 30 September		% change
Rm	2020	2019	19/20
Headline earnings	9 013	7 807	15.4
Adjusted for:			
Net profit from associate	(2 546)	(1 673)	52.2
Attributable profits from Safaricom	(2 139)	(1 998)	7.1
Amortisation on assets, net of tax	(407)	325	>(200.0)
Withholding tax	151	140	7.9
Non-controlling interest and other	318	210	51.4
Headline earnings available for dividend distribution	6 936	6 484	7.0
Interim and special dividend declared per share (cents)	415	440	(5.7)
Interim dividend declared per share (cents)	415	380	9.2
Special dividend declared per share (cents)	–	60	(100.0)

Capital expenditure¹

	Six months ended 30 September		% change
Rm	2020	2019	19/20
South Africa	5 028	4 777	5.3
International	1 522	1 571	(3.1)
Corporate and eliminations	1	1	–
Group capital expenditure	6 551	6 349	3.2
Group capital intensity² (%)	13.7	14.3	(0.6ppts)
Safaricom	3 674	2 589	41.9
Safaricom capital intensity ² (%)	18.2	14.0	4.2ppts

The Group's capital expenditure was R6.6 billion, representing 13.7% of revenue. In South Africa, capital expenditure was directed at backup power in the form of batteries and improving capacity. We now have 96.4% (1H20: 92.4%) 4G population coverage. In our International operations, the focus remained on increasing both coverage and capacity as well as continuing the 4G roll-out. We added 74 2G sites, 133 3G sites and 693 4G sites across our International operations since March 2020.

1. Capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments. Purchases of customer bases are excluded from capital expenditure.
2. Capital expenditure as a percentage of revenue.

Financial review

continued

Statement of financial position

Property, plant and equipment decreased 3.0% to R57.5 billion and intangible assets decreased 0.7% to R13.3 billion when compared to 31 March 2020. The combined increase is as a result of net additions of R7.8 billion and net foreign currency translation movements of R2.0 billion, partially offset by depreciation and amortisation of R7.6 billion.

	As at 30 September	As at 31 March	Movement	As at 30 September
Rm	2020	2020	Mar/Sep	2019
Bank and cash balances	14 147	17 057	(2 910)	8 252
Bank overdrafts	(164)	(866)	702	(2 177)
Current borrowings	(9 783)	(3 707)	(6 076)	(14 844)
Non-current borrowings	(40 810)	(47 988)	7 178	(32 585)
Other financial instruments	(34)	324	(358)	(3)
Net debt¹	(36 644)	(35 180)	(1 464)	(41 357)
Net debt/EBITDA (times)	0.9	0.9	–	1.1

Net debt increased by R1.5 billion to R36.6 billion from March 2020 but was R4.7 billion lower year-on-year. The year-on-year movement reflects the timing of the Safaricom dividend receipt and cash generation from consolidated operations. In the current financial year, the Safaricom dividend was received in the first half of the financial year (R2.8 billion net of withholding tax), while in the prior year it was received in the second half of the financial year (R3.4 billion net of withholding tax). Total borrowings decreased by R1.1 billion to R50.6 billion from March 2020.

1. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.

Cash flow¹

Free cash flow

	Six months ended 30 September		% change
Rm	2020	2019	19/20
EBITDA	19 433	18 166	7.0
Working capital	(4 336)	(2 821)	53.7
Capital expenditure ²	(6 551)	(6 349)	3.2
Disposal of property, plant and equipment	49	100	(51.0)
Lease liability payments	(2 069)	(1 894)	9.2
Other	322	274	17.5
Operating free cash flow	6 848	7 476	(8.4)
Tax paid	(3 764)	(3 192)	17.9
Finance income received	453	444	2.0
Finance costs paid	(1 210)	(1 812)	(33.2)
Net dividends received from associate paid to non-controlling shareholders	2 953	(167)	>200.0
Free cash flow	5 280	2 749	92.1

Operating free cash flow declined 8.4%, with EBITDA growth of 7.0% offset by higher capital expenditure and lease payments, and a working capital outflow. The working capital movement largely relates to capital creditors which increased as a result of our accelerated investment into network resilience, availability and capacity, and the timing of inventory payables. Free cash flow was supported by the timing of the Safaricom dividend, which was received in the first half of the financial year and amounted to R2.8 billion (after withholding taxes). In the prior year, the Safaricom dividend was received in the second half of the financial year.

1. For the reconciliation of cash generated from operations to free cash flow, refer to page 52.

2. Capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments. Purchases of customer bases are excluded from capital expenditure.

Financial review

continued

Dividend

Declaration of interim dividend number 23 – payable from income reserves

Notice is hereby given that a gross interim dividend number 23 of 415 cents per ordinary share in respect of the six months ended 30 September 2020 has been declared payable on Monday 7 December 2020 to shareholders recorded in the register at the close of business on Friday 4 December 2020. The number of ordinary shares in issue at the date of this declaration is 1 835 864 961. The ordinary dividend will be subject to a local dividend withholding tax rate of 20%. Accordingly, for those shareholders not exempt from paying dividend withholding tax, the net ordinary dividend will be 332.00000 cents per ordinary share.

Last day to trade shares cum dividend

Tuesday 1 December 2020

Shares commence trading ex-dividend

Wednesday 2 December 2020

Record date

Friday 4 December 2020

Payment date

Monday 7 December 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 2 December 2020 and Friday, 4 December 2020, both days inclusive.

On Monday 7 December 2020, the final dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 7 December 2020.

Vodacom Group Limited tax reference number is 9316/041/71/5.

Dividend policy

The Board maintains its dividend policy of paying at least 90% of adjusted headline earnings which excludes the contribution of the attributable net profit or loss from Safaricom and any associated intangible amortisation. In addition, the Group intends to distribute any dividend it receives from Safaricom, up to a maximum amount of the dividend received, net of withholding tax.

The Group intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the JSE Listings Requirements.

For and on behalf of the Board

Sakumzi Justice Macozoma
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Raisibe Morathi
Chief Financial Officer

Midrand

13 November 2020

Independent auditor's review report

To the shareholders of Vodacom Group Limited

We have reviewed the condensed consolidated interim financial statements of Vodacom Group Limited set out on pages 18 to 38, contained in the accompanying interim report, which comprises the condensed consolidated statement of financial position as at 30 September 2020, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period then ended 30 September 2020, and selected explanatory notes.

Directors' responsibility for the condensed consolidated interim financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Vodacom Group Limited for the six months period ended 30 September 2020 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Vinodhan Pillay

Registered Auditor

Chartered Accountant (SA)

13 November 2020

Condensed consolidated income statement

for the period ended 30 September

		Six months ended 30 September	Year ended 31 March	
Rm	Notes	2020 Reviewed	2019 Reviewed	2020 Audited
Revenue	3	47 844	44 389	90 746
Direct expenses ¹		(17 015)	(15 823)	(32 075)
Staff expenses		(3 493)	(3 289)	(6 421)
Publicity expenses		(733)	(902)	(1 907)
Net credit losses on financial assets ¹		(613)	(338)	(802)
Other operating expenses		(6 531)	(5 860)	(12 024)
Depreciation and amortisation		(7 565)	(6 967)	(13 955)
Net profit from associate and joint ventures		2 571	1 673	4 149
Operating profit		14 465	12 883	27 711
Net profit/(loss) on disposal of subsidiaries	4.4	1	–	(819)
Finance income		443	456	884
Finance costs		(2 161)	(2 196)	(4 702)
Net (loss)/profit on remeasurement and disposal of financial instruments		(223)	140	(16)
Profit before tax		12 525	11 283	23 058
Taxation		(3 254)	(3 084)	(6 414)
Net profit		9 271	8 199	16 644
Attributable to:				
Equity shareholders		9 030	7 834	15 944
Non-controlling interests		241	365	700
		9 271	8 199	16 644

		Six months ended 30 September	Year ended 31 March	
Cents	Notes	2020 Reviewed	2019 Reviewed	2020 Audited
Basic earnings per share	4	533	461	939
Diluted earnings per share	4	521	454	923

1. Net credit losses on financial assets were included in direct expenditure in prior periods.

Condensed consolidated statement of comprehensive income

for the period ended 30 September

	Six months ended 30 September	Year ended 31 March	
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
Net profit	9 271	8 199	16 644
Other comprehensive income			
Foreign currency translation differences, net of tax ¹	(7 870)	2 090	13 770
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations ¹	15	—	327
Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax ¹	38	16	13
Total comprehensive income	1 454	10 305	30 754
Attributable to:			
Equity shareholders	1 957	9 746	28 953
Non-controlling interests	(503)	559	1 801
	1 454	10 305	30 754

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations or financial assets held at fair value through other comprehensive income. During the current period, a net amount of R15 million (31 March 2020: R327 million) of previously recorded foreign currency translation differences were recognised in profit or loss on the sale of certain subsidiaries within the Vodacom Business Africa group.

Condensed consolidated statement of financial position

as at 30 September

		As at 30 September	As at 31 March	
Rm	Note	2020 Reviewed	2019 Reviewed	2020 Audited
Assets				
Non-current assets		133 445	124 925	142 395
Property, plant and equipment		57 500	54 744	59 277
Intangible assets		13 272	12 551	13 363
Financial assets		652	628	741
Investment in associate and joint ventures		57 214	52 755	64 429
Trade and other receivables		2 238	2 246	2 447
Finance receivables		2 024	1 917	1 867
Tax receivable		434	59	260
Deferred tax		111	25	11
Current assets		46 062	46 409	47 828
Financial assets		7 671	6 929	7 763
Inventory		1 458	1 418	1 382
Trade and other receivables		19 988	25 226	19 197
Non-current assets held for sale		–	846	86
Finance receivables		2 419	2 729	2 288
Tax receivable		379	1 009	55
Bank and cash balances		14 147	8 252	17 057
Total assets		179 507	171 334	190 223
Equity and liabilities				
Fully paid share capital		57 073	57 073	57 073
Treasury shares		(16 786)	(16 618)	(16 620)
Retained earnings		36 416	33 707	34 294
Other reserves		9 930	5 642	16 909
Equity attributable to owners of the parent		86 633	79 804	91 656
Non-controlling interests		7 369	7 706	8 414
Total equity		94 002	87 510	100 070
Non-current liabilities		45 705	38 346	53 403
Borrowings	8	40 810	32 585	47 988
Trade and other payables		289	409	359
Provisions		913	591	1 055
Deferred tax		3 693	4 761	4 001
Current liabilities		39 800	45 478	36 750
Borrowings	8	9 783	14 844	3 707
Trade and other payables		28 896	27 373	31 437
Liabilities directly associated with non-current assets held for sale		–	304	30
Provisions		332	249	228
Tax payable		611	367	468
Dividends payable		14	164	14
Bank overdraft		164	2 177	866
Total equity and liabilities		179 507	171 334	190 223

Condensed consolidated statement of changes in equity

as at 30 September

Rm	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2020 – Audited	91 656	8 414	100 070
Total comprehensive income	1 957	(503)	1 454
Dividends	(6 908)	(542)	(7 450)
Repurchase and sale of shares	(379)	–	(379)
Share-based payments	307	–	307
30 September 2020 – Reviewed	86 633	7 369	94 002
31 March 2019 – Audited	77 992	8 396	86 388
Adoption of IFRS 16	23	1	24
1 April 2019	78 015	8 397	86 412
Total comprehensive income	9 746	559	10 305
Dividends	(6 826)	(167)	(6 993)
Repurchase and sale of shares	(420)	–	(420)
Share-based payments	154	–	154
Business combinations	–	23	23
Changes in subsidiary holdings	(865)	(1 106)	(1 971)
30 September 2019 – Reviewed	79 804	7 706	87 510
31 March 2019 – Audited	77 992	8 396	86 388
Adoption of IFRS 16	23	1	24
1 April 2019	78 015	8 397	86 412
Total comprehensive income	28 953	1 801	30 754
Dividends	(14 348)	(732)	(15 080)
Repurchase and sale of shares	(443)	–	(443)
Share-based payments	571	–	571
Business combinations	–	46	46
Changes in subsidiary holdings	(1 092)	(1 098)	(2 190)
31 March 2020 – Audited	91 656	8 414	100 070

Condensed consolidated statement of cash flows

for the period ended 30 September

		Six months ended 30 September	Year ended 31 March
Rm	Note	2020 Reviewed	2019 Reviewed
		2020 Audited	
Cash flows from operating activities			
Cash generated from operations	9	17 758	16 349
Tax paid		(3 764)	(3 192)
Net cash flows from operating activities		13 994	13 157
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		(7 782)	(7 365)
Proceeds from disposal of property, plant and equipment and intangible assets		49	126
Acquisition of subsidiary (net of cash and cash equivalents acquired)		–	(266)
Acquisition of joint venture		–	–
Disposal of subsidiaries (net of cash and cash equivalents disposed)		11	–
Dividends received from associate		3 495	–
Finance income received		453	444
Other investing activities ¹		(415)	(291)
Net cash flows utilised in investing activities		(4 189)	(7 352)
Cash flows from financing activities			
Borrowings incurred		163	3 508
Borrowings repaid		(1 612)	(1 694)
Finance costs paid		(1 923)	(2 420)
Dividends paid – equity shareholders		(6 905)	(6 633)
Dividends paid – non-controlling interests		(542)	(167)
Repurchase and sale of shares		(379)	(420)
Changes in subsidiary holdings		–	(3 466)
Net cash flows utilised in financing activities		(11 198)	(11 292)
Net (decrease)/increase in cash and cash equivalents		(1 393)	(5 487)
Cash and cash equivalents at the beginning of the period		16 191	11 066
Effect of foreign exchange rate changes		(815)	496
Cash and cash equivalents at the end of the period		13 983	6 075
			16 191

1. Consists mainly of an increase in restricted cash deposits of R1 560 million (30 September 2019: R593 million increase; 31 March 2020: R445 million increase) from M-Pesa related activities, and decreased investment in treasury bills in Tanzania of R1 143 million (30 September 2019: R863 million increase; 31 March 2020: R352 million decrease).

Notes to the condensed consolidated interim financial statements

for the period ended 30 September

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited (JSE) Listings Requirements and the requirements of the South African Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the parent Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous year, except as disclosed in Note 2. The significant accounting policies are available for inspection at the Group's registered office.

The preparation of these condensed consolidated interim financial statements was supervised by the interim Chief Financial Officer, S Mdlalose (ACCA).

The financial information has been reviewed by Ernst & Young Inc., whose unmodified review report is presented on page 17.

2. Change in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2020, none of which had any material impact on the Group's financial results for the period. The Group has not early adopted any new, revised or amended accounting pronouncements, that are not yet effective and the Group is not expecting these pronouncements to have a material impact on the financial results of the Group.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the period ended 31 March 2021, which will be available online.

	Six months ended 30 September	Year ended 31 March	
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
3. Segment analysis			
External customer segment revenue	47 844	44 389	90 746
South Africa	36 497	33 652	69 045
International	11 347	10 737	21 681
Corporate and eliminations	—	—	20
Safaricom ¹	20 192	18 442	37 951
Inter-segment revenue	—	—	—
South Africa	217	265	548
International	399	408	811
Corporate and eliminations	(616)	(673)	(1 359)

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom.

Notes to the condensed consolidated interim financial statements

continued

3. Segment analysis continued

Revenue is further disaggregated into product type below.

Rm	South Africa	International	Corporate and elimination	Total	Safaricom ¹
30 September 2020 – reviewed					
Mobile contract revenue	10 203	741	(2)	10 942	1 565
Mobile prepaid revenue	12 506	9 240	–	21 746	15 550
Customer service revenue	22 709	9 981	(2)	32 688	17 115
Mobile interconnect	896	712	(296)	1 312	745
Fixed service revenue	1 648	665	(193)	2 120	737
Other service revenue	2 365	51	(21)	2 395	614
Service revenue	27 618	11 409	(512)	38 515	19 211
Equipment revenue	6 312	142	(7)	6 447	717
Non-service revenue	2 623	188	(97)	2 714	264
Revenue from contracts with customers	36 553	11 739	(616)	47 676	*
Interest income recognised as revenue	127	7	–	134	*
Other ²	34	–	–	34	*
Revenue	36 714	11 746	(616)	47 844	20 192

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom.

2. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases".

* Not reviewed by the chief operating decision maker.

3. Segment analysis continued

Rm	South Africa	International	Corporate and elimination	Total	Safaricom ¹
30 September 2019 – reviewed					
Mobile contract revenue	9 824	656	(3)	10 477	1 708
Mobile prepaid revenue	11 548	8 513	(1)	20 060	14 215
Customer service revenue	21 372	9 169	(4)	30 537	15 923
Mobile interconnect	992	650	(320)	1 322	594
Fixed service revenue	1 518	895	(234)	2 179	646
Other service revenue	1 915	66	(16)	1 965	487
Service revenue	25 797	10 780	(574)	36 003	17 650
Equipment revenue	6 478	205	(9)	6 674	603
Non-service revenue	1 568	152	(90)	1 630	189
Revenue from contracts with customers	33 843	11 137	(673)	44 307	*
Interest income recognised as revenue	30	8	—	38	*
Other ²	44	—	—	44	*
Revenue	33 917	11 145	(673)	44 389	18 442

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom.

2. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases".

* Not reviewed by the chief operating decision maker.

Notes to the condensed consolidated interim financial statements

continued

3. Segment analysis continued

Rm	South Africa	International	Corporate and elimination	Total	Safaricom ¹
31 March 2020 – audited					
Mobile contract revenue	19 841	1 344	(6)	21 179	3 510
Mobile prepaid revenue	23 372	17 327	–	40 699	29 230
Customer service revenue	43 213	18 671	(6)	61 878	32 740
Mobile interconnect	1 893	1 328	(644)	2 577	1 227
Fixed service revenue	3 189	1 709	(471)	4 427	1 296
Other service revenue	4 417	91	(36)	4 472	1 056
Service revenue	52 712	21 799	(1 157)	73 354	36 319
Equipment revenue	13 543	411	(17)	13 937	1 247
Non-service revenue	3 164	274	(165)	3 273	385
Revenue from contracts with customers	69 419	22 484	(1 339)	90 564	*
Interest income recognised as revenue	114	8	–	122	*
Other ²	60	–	–	60	*
Revenue	69 593	22 492	(1 339)	90 746	37 951

Rm	2020 Reviewed	2019 Reviewed	2020 Audited
EBITDA	19 433	18 166	37 610
South Africa	15 294	13 916	29 094
International	4 218	4 298	8 679
Corporate and eliminations	(79)	(48)	(163)
Safaricom ¹	10 267	9 703	19 950
Operating profit³	14 465	12 883	27 711
South Africa	10 296	9 170	19 684
International	1 706	2 094	4 582
Corporate and eliminations	2 463	1 619	3 445
Safaricom ¹	5 959	5 983	12 856

1. The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible assets.

2. Other revenue largely represents lease revenues recognised under IFRS 16 "Leases".

3. During the prior year, the Group changed its measure of profit or loss from EBIT to operating profit, in order to take into account net profit from associate and joint ventures, following the acquisition of a material equity accounted associate investment in Safaricom in prior years.

* Not reviewed by the chief operating decision maker.

3 Segment analysis continued

	Six months ended 30 September	Year ended 31 March	
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
Reconciliation of segment results			
EBITDA	19 433	18 166	37 610
Depreciation and amortisation excluding acquired brands and customer bases	(7 565)	(6 967)	(13 955)
Net profit on disposal of property, plant and equipment and intangible assets	26	44	23
Net profit from associate and joint ventures	2 571	1 673	4 149
Other	–	(33)	(116)
Operating profit¹	14 465	12 883	27 711
Total assets	179 507	171 334	190 223
South Africa	80 743	74 516	77 787
International	44 024	44 310	46 829
Corporate and eliminations	54 740	52 508	65 607
Safaricom ²	69 086	68 648	76 079
Total liabilities	(85 505)	(83 824)	(90 153)
South Africa	(60 670)	(56 221)	(58 269)
International	(27 860)	(24 987)	(29 497)
Corporate and eliminations	3 025	(2 616)	(2 387)
Safaricom ²	(24 832)	(26 928)	(24 153)

1 For a reconciliation of operating profit to net profit for the year, refer to the Condensed consolidated income statement on page 18.

2 The Group has a 34.94% effective interest in Safaricom Plc (Safaricom) through its subsidiary Vodafone Kenya Limited, which the Group equity accounts for as an investment in an associate at 39.93%. Due to the significance of this investment, and the information available for review by the chief operating decision maker, Safaricom is presented as a separate segment. The above results represent 100% of the results of Safaricom, including the impact of net fair value adjustments on tangible and intangible assets, excluding goodwill that arose on acquisition.

Notes to the condensed consolidated interim financial statements

continued

		Six months ended 30 September	Year ended 31 March	
	Cents	2020 Reviewed	2019 Reviewed	2020 Audited
4.	Per share calculations			
4.1	Earnings and dividends per share			
	Basic earnings per share	533	461	939
	Diluted earnings per share	521	454	923
	Headline earnings per share	532	460	945
	Diluted headline earnings per share	520	452	928
	Dividends per share	405	400	840
		Six months ended 30 September	Year ended 31 March	
	Million	2020 Reviewed	2019 Reviewed	2020 Audited
4.2	Weighted average number of ordinary shares outstanding for the purpose of calculating			
	Basic and headline earnings per share	1 695	1 698	1 697
	Diluted earnings and diluted headline earnings per share	1 732	1 727	1 728
4.3	Ordinary shares for the purpose of calculating dividends per share:			
	400 cents per share declared on 10 May 2019	—	1 836	1 836
	440 cents per share declared on 8 November 2019	—	—	1 836
	405 cents per share declared on 7 May 2020	1 836	—	—

Vodacom Group Limited acquired 3 167 841 shares in the market during the period at an average price of R129.74 per share for the Group's forfeitable share plan. The Innovator Trust, a structured entity consolidated by the Group in terms of IFRS 10: Consolidated Financial Statements, also purchased 258 855 shares at an average price of R123.60. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital.

Dividend per share calculations are based on a dividend paid of R7 435 million (30 September 2019: R7 343 million; 31 March 2020: R15 421 million) of which R36 million (30 September 2019: R29 million; 31 March 2020: R60 million) was offset against the forfeitable share plan reserve, R5 million (30 September 2019: R4 million; 31 March 2020: R9 million) expensed as staff expenses and R62 million (30 September 2019: R62 million; 31 March 2020: R130 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. An amount of R463 million (30 September 2019: R459 million; 31 March 2020: R961 million) was paid to YeboYethu Investment Company (RF) (Pty) Limited, a special purpose vehicle holding shares in Vodacom Group Limited on behalf of broad based black economic participants, of which R46 million was paid out as a trickle dividend to participants. R5 million (30 September 2019: R2 million; 31 March 2020: R6 million) was paid to The Innovator Trust. The Group declared an interim dividend in respect of the period ended 30 September 2020 after the reporting period (Note 13).

		Six months ended 30 September	Year ended 31 March
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
4. Per share calculations continued			
4.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic and diluted earnings per share	9 030	7 834	15 944
Adjusted for:			
Net profit on disposal of property, plant and equipment and intangible assets ¹	(29)	(47)	(25)
Bargain purchase gain on acquisition by joint venture ²	–	–	(745)
(Profit)/loss on disposal of subsidiaries	(1)	–	819
(Profit)/loss on disposal, before foreign currency translation of the operations	(16)	–	492
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations	15	–	327
	9 000	7 787	15 993
Tax impact of adjustments	10	15	10
Non-controlling interests' share in adjustments	3	5	31
Headline earnings for headline- and diluted headline earnings per share ³	9 013	7 807	16 034

1. Includes attributable share of net profit on disposal of property, plant and equipment and intangible assets of associate and joint ventures of R3 million (30 September 2019: R3 million; 31 March 2020: R2 million).

2. Includes attributable share of bargain purchase gain recognised by Safaricom, our joint venture partner, of R213 million for the year ended 31 March 2020.

3. This disclosure is a requirement of the JSE Limited. It has been calculated in accordance with Circular 1/2019 as issued by SAICA.

Notes to the condensed consolidated interim financial statements

continued

5. Related parties

The amounts disclosed in Notes 5.1 and 5.2 include significant balances and transactions with the Group's parent, entities in its group as well as an associate and joint ventures.

		Six months ended 30 September	Year ended 31 March
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
5.1	Balances with related parties		
	Borrowings (including accrued finance cost)	28 810	28 240
	Dividend receivable from associate included in trade and other receivables	–	4 394
5.2	Transactions with related parties		
	Dividends declared	(4 498)	(4 443)
	Finance costs	(1 020)	(2 280)

5.3 Directors and key management personnel

Compensation paid to the Group's Board and key management personnel will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2021, which will be available online.

PJ Moleketi, Chairman of the Group stepped down from the Board at the annual general meeting held on Tuesday 21 July 2020 and was succeeded by SJ Macozoma. SJ Macozoma was first appointed to the Board in July 2017. Following the appointment of SJ Macozoma as Chairman, DH Brown was appointed as lead independent non-executive director with effect from Wednesday 22 July 2020.

P Klotz and CB Thomson were appointed to the Board as non-executive director and independent non-executive director respectively with effect from Wednesday 1 April 2020. On his appointment as a director, CB Thomson became a member of the Audit, Risk & Compliance Committee.

KL Shuenyane joined the Board as an independent non-executive director following the annual general meeting of the company which was held on Tuesday 21 July 2020. On his appointment as a director, KL Shuenyane became a member of the Audit, Risk & Compliance Committee and Social & Ethics Committee.

NC Nqweni has been appointed as alternate to P Mahanyele-Dabengwa with effect from 1 April 2020, and was appointed as a member of the Audit, Risk & Compliance Committee and Social & Ethics Committee following the annual general meeting of the company which was held on Tuesday 21 July 2020.

T Streichert resigned from the position of Group Chief Financial Officer and stepped down from the Board on 30 June 2020.

S Mdlalose was appointed to the Board on 1 July 2020 and served as the acting Chief Financial Officer up until the appointment of RK Morathi as the new Group Chief Financial Officer, effective 1 November 2020, on which date she was also appointed to the Board. S Mdlalose stepped down from the Board on 1 November 2020.

	Six months ended 30 September	Year ended 31 March	
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
Capital commitments			
Capital expenditure contracted for but not yet incurred ¹	4 906	5 263	3 537

1. The Group entered into an agreement with Edge Network Services Limited (Facebook) in terms of which the Group has committed to incur accelerated capital expenditure of US\$110 million (R1 835 million) over the next four years in exchange for the right to use half a fibre pair on the high-capacity fibre optic cable systems being constructed along the east and west coasts of Africa and the Mediterranean. The accelerated capital expenditure has commenced and to date approximately 40% of the committed spend has already occurred, subject to acceptance by Facebook. Capital commitments as reflected above only include the aforementioned capital expenditure to the extent that open purchase orders have been raised for specific suppliers.

	Six months ended 30 September	Year ended 31 March	
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
Capital expenditure incurred			
Capital expenditure additions including software	6 551	6 349	13 218

Notes to the condensed consolidated interim financial statements

continued

8. Borrowings

There were no material new borrowings raised during the period ended 30 September 2020. Borrowings repaid consists of repayments on lease liabilities which are classified as borrowings under IFRS 16.

	Six months ended 30 September	Year ended 31 March
Rm	2020 Reviewed	2019 Reviewed
2020 Audited		
9.	Cash flows from operating activities	
Cash generated from operations		
Profit before tax	12 525	11 283
Adjusted for:		
Net (profit)/loss on disposal of subsidiaries	(1)	—
Finance income	(443)	(456)
Finance costs	2 161	2 196
Net loss/(gain) on remeasurement and disposal of financial instruments	223	(140)
Operating profit	14 465	12 883
Adjusted for:		
Depreciation and amortisation	7 565	6 967
Net profit on disposal of property, plant and equipment and intangible assets	(26)	(44)
Net credit losses on financial assets	613	338
Share-based payment	270	251
Net profit from associate and joint venture	(2 571)	(1 673)
Cash flows from operations before working capital changes	20 316	18 722
(Increase)/decrease in inventory	(85)	1
Increase in trade and other receivables	(2 029)	(2 853)
(Decrease)/increase in trade and other payables and provisions	(444)	479
Cash generated from operations	17 758	16 349
		23 058
		819
		(884)
		4 702
		16
		27 711
		13 955
		(23)
		802
		502
		(4 149)
		38 797
		55
		(1 668)
		2 067
		39 251

10. Impact of COVID-19

Since March 2020, the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic, triggering various government interventions in order to stem the spread. In our assessment of the impact on our operations and the economies they operate in we have considered the following aspects:

10.1 Going concern considerations

The going concern basis has been adopted in preparing the condensed consolidated interim financial statements for the Group. Telecommunication services have been recognised as an essential service during this crisis, which allowed our businesses to continue to operate. As countries attempt to contain the spread of the virus, various forms of restrictions on movement have resulted in an increase in demand for the services we render.

The strength of our financial position will continue to allow us to lead our business through this volatile period. We continually evaluate what the impact from a downturn in economy will have on our business over the short to medium term. The assessments include macro-economic factors in each of the countries we operate in, the impact on customer spend, liquidity of our customers, our own cash requirements as well as initiatives to contain cost. This view will continue to be assessed as more data becomes available and circumstances change.

10.2 Liquidity-, credit- and interest rate risk

The Group has sufficient funds and committed facilities available to address liquidity risk that may arise from customers experiencing cash flow constraints, while we are still required to continue to operate. In considering the impact on our contract customer base, we have reassessed our credit and risk policies pertaining to our customers and assessed the impact on the recoverability of our debtors in terms of IFRS 9. At this point in time, the impact is not expected to be significant to our financial results.

The majority of short term debt is with Vodafone Luxembourg, and is expected to be extended, while the remainder relates to short term items on leases. These are not expected to pose any liquidity risk. The Group continues to monitor its debt exposure between fixed and variable rates, to ensure a balanced portfolio in an uncertain and volatile environment. In order to ensure that short term liquidity can be met and volatility absorbed, the Group has access to facilities of R7 840 million.

Notes to the condensed consolidated interim financial statements

continued

11. Contingent liabilities

11.1 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R64 million (30 September 2019: R43 million; 31 March 2020: R64 million).

Foreign denominated guarantees amounting to R1 251 million (30 September 2019: R1 137 million; 31 March 2020: R1 340 million) are in issue in support of Vodacom Congo relating to liabilities included in the consolidated statement of financial position.

11.2 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings, the most significant of which are capital allowances, withholding taxes and transfer pricing in certain jurisdictions. The consequence of such reviews is that disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. The tax laws are in some instances ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. All major tax positions taken are subject to review by executive management and are reported to the Board. The Group has support from external advisors with regards to the positions taken in respect of the significant tax matters which confirms the application and interpretation of the tax legislation. The Group has considered all matters in dispute with the relevant tax authorities and has accounted for any exposure identified, if required. The Group has not disclosed all the details in respect of the open tax disputes as these matters are still under the dispute resolution process. These disputes may not necessarily be resolved in a manner that is favourable to the Group.

11.3 Legal contingencies

The Group is currently involved in various legal disputes across its different jurisdictions and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 30 September 2020.

12. Other matters

12.1 Kenneth Makate (Mr Makate) vs Vodacom (Pty) Limited

Following the deadlock in the negotiations between the parties, Mr Makate elected to refer the matter to the Group's Chief Executive Officer, in his judicially sanctioned role as a deadlock breaking mechanism (the deadlock breaker), to make a determination on the reasonable amount of compensation payable to him. The deadlock breaker has made such a determination, in accordance with the Constitutional Court order, but Mr Makate has rejected his determination. Mr Makate has since launched an application in the High Court of South Africa to have the decision of the deadlock breaker reviewed and set aside.

12.2 Independent Communications Authority of South Africa (ICASA) Invitation to Apply (ITA)

ICASA issued two separate Invitations to Apply (ITA) on 2 October 2020 in connection with the assignment of High Demand Spectrum (HDS) in South Africa. The first ITA sets out ICASA's licensing process for the purpose of operating a wireless open access network (WOAN). The second ITA sets out the licensing process for exclusive use HDS, including spectrum lots and associated reserve prices and obligations, spectrum caps and floors and the auction format. As a result of the two licensing processes South Africa's HDS bandwidth will increase from 609 MHz to 1015 MHz. ICASA expects that the HDS auction will be completed by 31 March 2021.

ICASA also indicated a process to amend the ICT COVID-19 National State of Disaster Regulations to extend the validity period of the emergency temporary spectrum to no later than 31 March 2021.

12.3 Mobile Broadband Services Inquiry

On 16 November 2018, ICASA gave notice of its intention to conduct an inquiry into mobile broadband services. The purpose of the inquiry is to assess the state of competition, and to determine whether there are markets or market segments within the mobile broadband services value chain that may require regulatory intervention in terms of Chapter 10 of the Electronic Communications Act, 2005.

ICASA issued a discussion document on 29 November 2019 for comment, setting out its findings from its initial investigation of the mobile broadband services market, proposing remedies where they found insufficient competition. These findings included aspects of retail pricing, site access, wholesale roaming, spectrum, MVNO and APN services.

Following our constructive engagement with the Competition Commission and intervention on retail pricing in South Africa, we expect the focus of the inquiry to shift towards wholesale aspects of competition. Our proposal is for other elements of regulation, such as the licensing of high demand spectrum (and the WOAN), to take its course before ICASA contemplates additional wholesale remedies.

Notes to the condensed consolidated interim financial statements

continued

12. Other matters continued

12.4 Vodacom Congo (RDC) SA (Vodacom Congo) Organisation for the Harmonisation of Business Law in Africa (OHADA)

Vodacom Congo is not in compliance with the minimum capital requirements as set out under the OHADA. Vodacom Congo has to increase its share capital to meet the minimum OHADA requirements. A non-compliance gap remains, and the matter is continuously being discussed by the Board and shareholders of Vodacom Congo.

12.5 Vodacom Tanzania Public Company Limited (Vodacom Tanzania) customer registration

On 1 May 2019, the Tanzania Communications Regulatory Authority (TCRA) issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), as the only accepted identification. From January 2020 until March 2020, a total of 2.9 million SIM cards were barred from service, with around 800 000 SIM cards since reconnected.

On 7 February 2020, the Government published new Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. The Regulations also introduced limitation on ownership of the number of SIM cards for individuals and companies or institutions effective from 1 July 2020.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider, to verify their SIM card's ownership by 31 July 2020 through their mobile phones. Further, the TCRA and mobile network operators implemented a process that allows customers to request an approval for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers continue to use both processes to apply for approval of additional SIM cards.

12.6 Application to the Competition Tribunal regarding agreements between Vodacom (Pty) Limited (the Company) and Rain Networks (Pty) Limited (Rain)

On 13 October 2020, Telkom SA SOC Limited (Telkom) launched an application to the Competition Tribunal in respect of a suite of agreements between the Company and Rain. Telkom alleges that the Company has acquired joint control over Rain's radio frequency spectrum and radio access network, which Telkom alleges constitutes a notifiable merger in terms of the Competition Act. The Company is opposing the application.

13. Events after the reporting period

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period, other than the following:

13.1 Dividend declared after the reporting date and not recognised as a liability

An interim dividend of R7 619 million (415 cents per ordinary share) for the period ended 30 September 2020, was declared on 13 November 2020, payable on 7 December 2020 to shareholders recorded in the register at the close of business on 4 December 2020. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 332.00000 cents per share.

13.2 Vodacom Lesotho (Pty) Limited (Vodacom Lesotho) enforcement proceedings

In December 2019, the Lesotho Communications Authority (LCA) issued a notice of enforcement against Vodacom Lesotho premised on its view that the company's statutory external auditors were not independent, as required by the Companies Act. The statutory external auditors of Vodacom Lesotho are not affiliated to the Group auditors, Ernst & Young Inc..

On 8 October 2020, the LCA issued a notice of revocation of the operating licence of Vodacom Lesotho for failure to pay a penalty of R134 million. Thirty percent of this fine was determined by the LCA to be payable by 7 October 2020 and the balance was suspended for a period of five years, on the condition that Vodacom Lesotho is not found guilty for breach of any of its regulatory obligations in the future.

Vodacom Lesotho has launched an application in the Lesotho High Court to have both determinations of the LCA imposing the fine and revoking its operating licence, respectively, reviewed and set aside. The Lesotho High Court has, in the meantime, issued an interim order interdicting the LCA from, *inter alia*, enforcing the payment of the said fine and revoking Vodacom Lesotho's operating licence.

On the alleged non-independence of the external auditors of Vodacom Lesotho, the Group still holds the view that appropriate safeguards were put in place to mitigate potential conflicts of interest.

Notes to the condensed consolidated interim financial statements

continued

14. Fair value

The carrying amounts of financial assets at amortised cost, trade receivables, bank and cash balances and trade and other payables approximate their fair value due to short-term maturity.

The aggregate fair value if determinable, of interest bearing borrowings, excluding leases, with a carrying amount of R37 503 million amounts to R39 323 million. Where the fair value could be determined by using the discounted cash flow method, with a discount rate based on market-related interest rates, the discount rate varied between 4.6% and 7.0% for rand-denominated borrowings and between 2.1% and 3.5% for foreign-denominated borrowings.

14.1 Fair value hierarchy

The table below sets out the valuation basis of financial instruments measured at fair value:

	Six months ended 30 September	Year ended 31 March	
Rm	2020 Reviewed	2019 Reviewed	2020 Audited
Level one ¹			
Financial assets at fair value through profit or loss			
Unit trust investments	334	303	320
Level two ²			
Financial assets at fair value through other comprehensive income			
Finance receivables ³	4 443	4 576	4 084
Financial assets and liabilities at fair value through profit or loss			
Derivative financial assets ⁴	171	90	658
Derivative financial liabilities ⁴	(206)	(93)	(335)
	4 742	4 876	4 727

1. Level one classification is used when the valuation is determined using quoted prices in an active market.

2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices.

3. The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". Finance receivables are valued using a market approach, with cash flows discounted at the 24 month weighted average credit risk adjusted risk free rate at which finance receivables are sold across multiple financial institutions.

4. The fair value of foreign exchange forward contracts and firm commitment liabilities are determined with reference to quoted market prices for similar instruments, being the mid forward rates and spot rates, respectively, as at the reporting date.

Supplementary information

Operating results for the six months ended 30 September 2020

Rm	South Africa	% 19/20	Inter-national	% 19/20	Corporate/ Eliminations	Group	% 19/20	Safaricom ¹
Mobile contract revenue	10 203	3.9	741	13.0	(2)	10 942	4.4	1 565
Mobile prepaid revenue	12 506	8.3	9 240	8.5	—	21 746	8.4	15 550
Customer service revenue	22 709	6.3	9 981	8.9	(2)	32 688	7.0	17 115
Mobile interconnect	896	(9.7)	712	9.5	(296)	1 312	(0.8)	745
Fixed service revenue	1 648	8.6	665	(25.7)	(193)	2 120	(2.7)	737
Other service revenue	2 365	23.5	51	(22.7)	(21)	2 395	21.9	614
Service revenue	27 618	7.1	11 409	5.8	(512)	38 515	7.0	19 211
Equipment revenue	6 439	(1.1)	149	(30.0)	(7)	6 581	(2.0)	717
Non-service revenue	2 657	64.8	188	23.7	(97)	2 748	64.2	264
Revenue	36 714	8.2	11 746	5.4	(616)	47 844	7.8	20 192
Direct expenses	(14 971)	10.8	(3 181)	(1.6)	524	(17 628)	9.1	(6 473)
Staff expenses	(2 252)	3.4	(997)	14.6	(244)	(3 493)	6.2	(1 249)
Publicity expenses	(425)	(29.9)	(311)	4.7	3	(733)	(18.7)	(282)
Other operating expenses	(3 779)	1.0	(3 006)	25.3	254	(6 531)	11.5	(1 913)
Depreciation and amortisation	(4 991)	5.9	(2 570)	14.2	(4)	(7 565)	8.6	(4 319)
Net profit from associate and joint ventures	—	—	25	—	2 546	2 571	53.7	3
Operating profit	10 296	12.3	1 706	18.5	2 463	14 465	12.3	5 959
EBITDA	15 294	9.9	4 218	(1.9)	(79)	19 433	7.0	10 267
EBITDA margin (%)	41.7		35.9			40.6		50.8
Included in service revenue:								
M-Pesa revenue	—	—	2 210	14.1	—	2 210	14.1	5 809

Note:

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

Supplementary information

continued

Operating results for the six months ended 30 September 2019

Rm	South Africa	International	Corporate/ Eliminations	Group	Safaricom ¹
Mobile contract revenue	9 824	656	(3)	10 477	1 708
Mobile prepaid revenue	11 548	8 513	(1)	20 060	14 215
Customer service revenue	21 372	9 169	(4)	30 537	15 923
Mobile interconnect	992	650	(320)	1 322	594
Fixed service revenue	1 518	895	(234)	2 179	646
Other service revenue	1 915	66	(16)	1 965	487
Service revenue	25 797	10 780	(574)	36 003	17 650
Equipment revenue	6 508	213	(9)	6 712	603
Non-service revenue	1 612	152	(90)	1 674	189
Revenue	33 917	11 145	(673)	44 389	18 442
Direct expenses	(13 512)	(3 233)	584	(16 161)	(5 371)
Staff expenses	(2 177)	(870)	(242)	(3 289)	(1 025)
Publicity expenses	(606)	(297)	1	(902)	(482)
Other operating expenses	(3 741)	(2 400)	281	(5 860)	(1 855)
Depreciation and amortisation	(4 711)	(2 251)	(5)	(6 967)	(3 733)
Net profit from associate and joint venture	—	—	1 673	1 673	7
Operating profit	9 170	2 094	1 619	12 883	5 983
EBITDA	13 916	4 298	(48)	18 166	9 703
EBITDA margin (%)	41.0	38.6	—	40.9	52.6
Included in service revenue:					
M-Pesa revenue	—	1 937	—	1 937	5 957

Note:

1. The Group's effective interest of 34.94% in Safaricom Plc (Safaricom) is accounted for as an investment in associate. Results represent 100% of Safaricom and is for information purposes only.

South Africa key indicators

	Six months ended 30 September		% change
	2020	2019	19/20
Customers¹ (thousand)	42 862	43 857	(2.3)
Prepaid	36 715	37 830	(2.9)
Contract	6 147	6 027	2.0
Data customers² (thousand)	22 300	21 420	4.1
Internet of Things connections³ (thousand)	5 459	4 574	19.3
Traffic⁴ (millions of minutes)	34 137	32 018	6.6
Outgoing	28 786	27 038	6.5
Incoming	5 351	4 980	7.4
MOU per month⁵	143	122	17.2
Prepaid	133	111	19.8
Contract	194	193	0.5
Total ARPU⁶ (rand per month)	99	85	16.5
Prepaid	64	53	20.8
Contract	292	291	0.3
Messaging (million)	3 856	4 453	(13.4)
Number of employees	5 521	5 149	7.2

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Internet of Things (IoT) connections, is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
4. Traffic comprises total traffic registered on Vodacom's mobile network including bundled minutes; promotional minutes and outgoing international roaming calls, but excluding national roaming calls; incoming international roaming calls and calls to free services.
5. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
6. Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period. Prepaid and contract only include the revenue generated from Vodacom mobile customers.

Supplementary information

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International key indicators

	Six months ended 30 September		% change
	2020	2019	19/20
Customers¹ (thousand)	38 600	36 587	5.5
Tanzania	14 958	14 755	1.4
DRC	14 470	12 995	11.4
Mozambique	7 677	7 279	5.5
Lesotho	1 495	1 558	(4.0)
Data customers² (thousand)	20 442	19 678	3.9
Tanzania	7 742	8 166	(5.2)
DRC	6 912	6 071	13.9
Mozambique	4 948	4 656	6.3
Lesotho	840	785	7.0
30-day active M-Pesa customers³ (thousand)	15 562	14 297	8.8
Tanzania	7 449	7 197	3.5
DRC	2 781	2 228	24.8
Mozambique	4 670	4 217	10.7
Lesotho	662	655	1.1
MOU per month⁴			
Tanzania	222	175	26.9
DRC	33	33	–
Mozambique	132	130	1.5
Lesotho	70	83	(15.7)
Total ARPU⁵ (rand per month)			
Tanzania	39	38	2.6
DRC	47	46	2.2
Mozambique	59	59	–
Lesotho	60	72	(16.7)
Total ARPU⁵ (local currency per month)			
Tanzania (TZS)	5 208	5 976	(12.9)
DRC (US\$)	2.7	3.2	(15.6)
Mozambique (MZN)	237	251	(5.6)
Number of employees	2 115	2 372	(10.8)

Notes:

- Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
- M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
- Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
- Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period.

Safaricom key indicators

	Six months ended 30 September		% change
	2020	2019	19/20
Customers ¹ (thousand)	38 144	34 022	12.1
Data customers ² (thousand)	22 907	20 528	11.6
M-Pesa customers ³ (thousand)	26 793	23 611	13.5
ARPU ⁴ (local currency per month)	536.9	624.6	(14.0)

Notes:

1. A customer is defined as a Subscriber Identity Module (SIM), or in territories where SIMs do not exist, a unique mobile telephone number which has access to the network for any purpose (including data only usage) except telemetric applications.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the month reported.
3. Number of unique customers who have generated revenue related to M-Pesa in the past 30 days.
4. ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.

International financial review per country

	Six months ended 30 September		% change
	2020	2019	19/20
Revenue (local currency)			
Tanzania (TZSm)	478 315	532 289	(10.1)
DRC (US\$000)	243 394	253 346	(3.9)
Mozambique (MZNm)	12 007	12 011	–
Lesotho (LSLm)	591	669	(11.7)
EBITDA (local currency)			
Tanzania (TZSm)	154 094	201 846	(23.7)
DRC (US\$000)	82 058	91 415	(10.2)
Mozambique (MZNm)	5 549	5 602	(0.9)
Lesotho (LSLm)	256	297	(13.8)

Supplementary information

continued

Historical financial review

Revenue for the quarter ended

Rm	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
South Africa	19 459	17 255	17 493	18 183	17 358	16 559	17 053
International	5 952	5 794	5 558	5 789	5 869	5 276	5 027
Corporate and eliminations	(297)	(319)	(320)	(346)	(365)	(308)	(332)
Group revenue	25 114	22 730	22 731	23 626	22 862	21 527	21 748

Revenue yoy % change for the quarter ended

	Reported				Normalised*
%	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2020
South Africa	12.1	4.2	2.6	5.9	12.1
International	1.4	9.8	10.6	9.0	(5.3)
Corporate and eliminations	(18.6)	(3.6)	3.6	(10.9)	(18.6)
Group revenue	9.9	5.6	4.5	6.6	7.8

Service revenue for the quarter ended

Rm	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
South Africa	14 240	13 378	13 348	13 567	13 220	12 577	12 845
International	5 751	5 658	5 397	5 622	5 668	5 112	4 885
Corporate and eliminations	(237)	(275)	(293)	(290)	(318)	(256)	(289)
Group service revenue	19 754	18 761	18 452	18 899	18 570	17 433	17 441

Service revenue yoy % change for the quarter ended

	Reported				Normalised*
%	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2020
South Africa	7.7	6.4	3.9	4.6	7.7
International	1.5	10.7	10.5	9.0	(5.2)
Corporate and eliminations	(25.5)	(7.4)	(1.4)	(11.1)	(25.5)
Group service revenue	6.4	7.6	5.8	5.7	4.1

Exchange rates

	Average YTD			Closing YTD		
	30 September		% change	30 September		% change
	2020	2019	19/20	2020	2019	19/20
US\$/ZAR	17.43	14.54	19.9	16.68	15.16	10.0
ZAR/MZN	4.01	4.29	(6.5)	4.34	4.07	6.6
ZAR/TZS	133.19	158.29	(15.9)	139.09	151.56	(8.2)
EUR/ZAR	19.77	16.24	21.7	19.56	16.53	18.3
ZAR/KES	6.16	7.05	(12.6)	6.50	6.85	(5.1)

	Average QTD				Closing QTD			
	30 September	30 June	31 March	31 December	30 September	30 June	31 March	31 December
	2020	2020	2020	2019	2020	2020	2020	2019
US\$/ZAR	16.92	17.94	15.37	14.70	16.68	17.38	17.86	13.98
ZAR/MZN	4.20	3.81	4.21	4.28	4.34	4.04	3.78	4.40
ZAR/TZS	137.24	129.14	150.57	156.59	139.09	133.41	129.62	164.34
EUR/ZAR	19.78	19.75	16.94	16.27	19.56	19.51	19.60	15.70
ZAR/KES	6.39	5.94	6.65	6.97	6.50	6.13	5.88	7.25

Supplementary information

continued

Historical key indicators

South Africa for the quarter ended

	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Customers¹ (thousand)	42 862	39 433	41 312	44 341	43 857	43 774	43 166
Prepaid	36 715	33 340	35 231	38 279	37 830	37 853	37 331
Contract	6 147	6 093	6 081	6 062	6 027	5 921	5 835
Data customers² (thousand)	22 300	21 226	21 891	22 878	21 420	19 930	19 952
Internet of Things connections³ (thousand)	5 459	5 422	5 289	4 678	4 574	4 537	4 514
Traffic⁴ (millions of minutes)	17 709	16 428	15 823	16 228	16 324	15 695	15 330
Outgoing	14 835	13 951	13 172	13 664	13 784	13 255	12 996
Incoming	2 874	2 477	2 651	2 564	2 540	2 440	2 334
MOU per month⁵	143	142	123	122	124	120	118
Prepaid	133	133	113	113	113	109	106
Contract	199	190	188	180	194	191	193
Total ARPU⁶ (rand per month)	98	99	88	87	85	85	87
Prepaid	64	64	55	54	53	53	54
Contract	296	288	286	295	291	290	304

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Internet of Things (IoT) connections is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
4. Traffic comprises total traffic registered on Vodacom's mobile network including bundled minutes; promotional minutes and outgoing international roaming calls, but excluding national roaming calls; incoming international roaming calls and calls to free services.
5. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
6. Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period. Prepaid and contract only include the revenue generated from Vodacom mobile customers.

Historical key indicators continued

International for the quarter ended

	30 September 2020	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Customers¹ (thousand)	38 600	37 676	38 595	38 241	36 587	35 180	34 620
Tanzania	14 958	14 743	15 513	15 597	14 755	14 322	14 133
DRC	14 470	13 909	13 766	13 402	12 995	12 348	12 180
Mozambique	7 677	7 556	7 656	7 522	7 279	7 108	6 843
Lesotho	1 495	1 468	1 660	1 720	1 558	1 402	1 464
Data customers² (thousand)	20 442	19 955	19 983	20 593	19 678	18 964	17 664
Tanzania	7 742	7 714	7 687	8 369	8 166	8 106	7 892
DRC	6 912	6 531	6 594	6 330	6 071	5 660	4 749
Mozambique	4 948	4 884	4 855	4 984	4 656	4 455	4 289
Lesotho	840	826	847	910	785	743	734
MOU per month³							
Tanzania	234	209	167	169	180	170	157
DRC	34	32	34	36	34	32	31
Mozambique	135	129	128	141	133	127	136
Lesotho	72	67	73	84	85	81	74
30-day active M-Pesa customers⁴ (thousand)	15 562	14 686	14 738	14 847	14 297	14 186	13 500
Tanzania	7 449	7 124	6 685	7 477	7 197	7 277	6 989
DRC	2 781	2 504	2 864	2 316	2 228	2 284	2 116
Mozambique	4 670	4 465	4 389	4 305	4 217	4 028	3 860
Lesotho	662	593	800	749	655	597	535
Total ARPU⁵ (rand per month)							
Tanzania	40	39	32	37	39	37	35
DRC	48	47	46	46	48	44	41
Mozambique	58	60	58	61	62	55	53
Lesotho	63	57	62	70	71	73	66
Total ARPU⁵ (local currency per month)							
Tanzania (TZS)	5 437	4 978	4 755	5 826	6 050	5 901	5 752
DRC (US\$)	2.8	2.6	3.0	3.1	3.3	3.1	2.9
Mozambique (MZN)	245	228	245	260	261	241	234

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
4. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
5. Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period.

Supplementary information

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Pro-forma financial information

The presentation of the *pro-forma* financial information and related reconciliations as detailed below on pages 48 to 52, is the responsibility of the directors of Vodacom Group Limited.

- "Normalised" results have been presented to assist the user in understanding the underlying growth trends and adjusts for:
 - the impact of trading foreign exchanges;
 - the impact of foreign currency translation on a constant currency basis;
 - the merger, acquisition and disposal activities during the current year and on a constant currency basis in the prior year; and
 - tax related adjustment where applicable.
- "Operating free cash flow" and "free cash flow" has been presented to provide users with relevant information and measures used by the Group to assess performance.

Collectively, the "*pro-forma* financial information".

The *pro-forma* financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. The *pro-forma* financial information is presented in accordance with the JSE Listings Requirements, the SAICA Guide on *Pro-Forma* Financial Information and any relevant guidance issued by IRBA. This *pro-forma* financial information for the six months ended 30 September 2020 has not been reported on by the Group's auditors, being Ernst & Young Inc.

TABLE A: Reconciliation of normalised values for the six months ended 30 September 2020

Rm	Reported results ¹	Foreign exchange		Mergers, Acquisitions and disposals ⁴	Tax related adjustment ⁵	Normalised*
		Trading FX ²	Translation FX ³			
Revenue						
Group	47 844	–	–	(25)	–	47 819
International	11 746	–	–	(25)	–	11 721
South Africa	36 714	–	–	–	–	36 714
Service revenue						
Group	38 515	–	–	(25)	–	38 490
International	11 409	–	–	(25)	–	11 384
South Africa	27 618	–	–	–	–	27 618
M-Pesa revenue						
International	2 210	–	–	–	–	2 210
Total expenses						
Group	28 385	(73)	–	(8)	–	28 304
International	7 495	(75)	–	(8)	–	7 412
South Africa	21 427	(5)	–	–	–	21 422
EBITDA						
Group	19 433	73	–	1	–	19 507
International	4 218	75	–	1	–	4 294
South Africa	15 294	5	–	–	–	15 299
Net profit from associate and joint ventures						
Group	2 571	25	–	–	(805)	1 791
Safaricom	2 546	25	–	–	(805)	1 766
Operating profit						
Group ¹	14 465	98	–	3	(805)	13 761
International	1 706	75	–	3	–	1 784
South Africa	10 296	5	–	–	–	10 301

TABLE B: Reconciliation of normalised values for the six months ended 30 September 2019

Rm	Reported results ¹	Foreign exchange		Mergers, Acquisitions and disposals ⁴	Tax related adjustment ⁵	Normalised*
		Trading FX ²	Translation FX ³			
Revenue						
Group	44 389	–	1 684	(398)	–	45 675
International	11 145	–	1 684	(398)	–	12 431
South Africa	33 917	–	–	–	–	33 917
Service revenue						
Group	36 003	–	1 622	(390)	–	37 235
International	10 780	–	1 622	(390)	–	12 012
South Africa	25 797	–	–	–	–	25 797
M-Pesa revenue						
International	1 937	–	304	–	–	2 241
Total expenses						
Group	26 212	(25)	1 100	(267)	–	27 020
International	6 800	(4)	1 100	(267)	–	7 629
South Africa	20 036	(19)	–	–	–	20 017
EBITDA						
Group	18 166	25	420	(48)	–	18 563
International	4 298	4	420	(48)	–	4 674
South Africa	13 916	19	–	–	–	13 935
Net profit from associate and joint ventures						
Group	1 673	(1)	233	–	–	1 905
Safaricom	1 673	(1)	233	–	–	1 905
Operating profit						
Group	12 883	24	426	13	–	13 346
International	2 094	4	192	13	–	2 303
South Africa	9 170	19	–	–	–	9 189

Supplementary information

continued

TABLE C: Reconciliation of normalised growth for the six months ended 30 September 2020

The reconciliation below presents the normalised growth which has been adjusted for trading foreign exchange gains and losses as well as foreign exchange translations, mergers, acquisitions and disposals where applicable and tax related adjustment where applicable all at a constant currency rate to show a like-for-like comparison of results.

%	% change ¹	Foreign exchange		Mergers, Acquisitions and disposals ppts ⁴	Tax related adjustment ppts ⁵	Normalised* % change
		Trading FX ² ppts	Translation FX ³ ppts			
Revenue						
Group	7.8	–	(4.0)	0.9	–	4.7
International	5.4	–	(13.8)	2.7	–	(5.7)
South Africa	8.2	–	–	–	–	8.2
Service revenue						
Group	7.0	–	(4.6)	1.0	–	3.4
International	5.8	–	(13.8)	2.8	–	(5.2)
South Africa	7.1	–	–	–	–	7.1
M-Pesa revenue						
International	14.1	–	(15.5)	–	–	(1.4)
Total expenses						
Group	8.3	(0.2)	(4.3)	1.0	–	4.8
International	10.2	(1.0)	(15.2)	3.2	–	(2.8)
South Africa	6.9	0.1	–	–	–	7.0
EBITDA						
Group	7.0	0.2	(2.4)	0.3	–	5.1
International	(1.9)	1.7	(8.9)	1.0	–	(8.1)
South Africa	9.9	(0.1)	–	–	–	9.8
Net profit from associate and joint ventures						
Group	53.7	1.5	(13.7)	–	(47.5)	(6.0)
Safaricom	52.2	1.5	(13.7)	–	(47.4)	(7.4)
Operating profit						
Group	12.3	0.5	(3.6)	(0.1)	(6.0)	3.1
International	(18.5)	3.4	(7.1)	(0.3)	–	(22.5)
South Africa	12.3	(0.2)	–	–	–	12.1

TABLE D: Reconciliation of normalised growth for the quarter ended

30 September 2020 Rm	Reported	Translation FX ³	Mergers, Acquisitions and disposals ⁴	Normalised*
Revenue				
Group	25 114	195	(12)	25 297
International	5 952	195	(12)	6 135
Service revenue				
Group	19 754	188	(12)	19 930
International	5 751	188	(12)	5 927

30 September 2019 Rm	Reported	Translation FX ³	Mergers, Acquisitions and disposals ⁴	Normalised*
Revenue				
Group	22 862	799	(193)	23 468
International	5 869	799	(193)	6 475
Service revenue				
Group	18 570	773	(189)	19 154
International	5 668	773	(189)	6 252

30 September 2020 %	% change ⁷	Translation FX ³ ppts	Merger, Acquisition and disposals ⁴ ppts	Normalised* % change
Revenue				
Group	9.9	(2.9)	0.8	7.8
International	1.4	(9.2)	2.5	(5.3)
Service revenue				
Group	6.4	(3.3)	1.0	4.1
International	1.5	(9.3)	2.6	(5.2)

Notes:

- The financial information relating to revenue, service revenue, total expenses, EBITDA and operating profit are extracted without adjustment from the interim condensed consolidated financial statements for the six months ended 30 September 2020.
 - Trading foreign exchange adjustments (FX) are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group, which is included with other operating expenses as per the interim condensed consolidated income statement.
 - The Group's presentation currency is the South African rand. Our International operations utilise a number of functional currencies, for example the United States dollar, Tanzanian shilling, Mozambican metical, Nigerian naira and Zambian kwacha. Translation foreign exchange (FX) arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. For interim purposes, IFRS monthly results are translated at the prevailing average monthly exchange rate and the translated value is accumulated for the six-month period. For the *pro-forma* financial information for the six months ended 30 September 2019, these exchange variances are eliminated by applying the average rate for the six months ended 30 September 2020 (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the period as applicable to each specified line item) to the 30 September 2019 numbers, thereby giving a user a view of the performance which excludes exchange variances. The effective translation rates for *pro-forma* financial information is similar to those used for IFRS purposes. The prevailing exchange rates for the current and comparative periods are disclosed on page 45.
 - Mergers, acquisitions and disposals, as per page 23, relates to the disposal of subsidiaries as disclosed in Note 8.4 in the condensed consolidated financial statements for the year ended 31 March 2020. Prior year merger, acquisition and disposal activities have been reversed using the 30 September 2020 average exchange rate, as explained in Note 3.
 - In the current period, net profit from associate and joint ventures and operating profit was impacted by a positive one-off deferred tax rate adjustment of R805 million. The adjustment related to the decrease of the corporate tax rate in Kenya, which fell from 30% to 25%. At a net income level, and after the impact of non-controlling interests, the adjustment was R705 million.
 - The percentage change relates to the year-on-year percentage growth calculated as the percentage change between the six months ended 30 September 2020 and six months ended 30 September 2019.
 - The percentage change relates to the quarter to date year-on-year percentage growth calculated as the percentage change between the three months ended to 30 September 2020 and the three months ended to 30 September 2019 values.
- * Normalised growth, which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable, tax related adjustment where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base), to show a like-for-like comparison of results.

Supplementary information

continued

TABLE E: Reconciliation of operating free cash flow and free cash flow

	Six months ended 30 September	
Rm	2020	2019
Cash generated from operations ¹	17 758	16 349
Cash capital expenditure ²	(7 353)	(6 414)
Lease liability payments ³	(2 069)	(1 894)
Movement in amounts due to M-Pesa account holders ⁴	(1 488)	(565)
Operating free cash flow	6 848	7 476
Tax paid ¹	(3 764)	(3 192)
Finance income received ¹	453	444
Finance costs paid ⁵	(1 210)	(1 812)
Net dividends received from associate and paid to non-controlling shareholders ¹	2 953	(167)
Free cash flow	5 280	2 749

The reconciliation presents the reconciliation of cash generated from operators to free cash flow. Free cash flow excludes the movement in amounts due to M-Pesa account holders, and held on their behalf. Management excludes these balances to present a view of the true commercial cash conversion in the operation.

Notes:

1. Extracted without adjustment from the condensed consolidated statement of cash flows for the six months ended 30 September 2020.
2. Cash capital expenditure as per the condensed consolidated statement of cash flows, excluding net capital expenditure of licence and spectrum fee of R375 million (2019: R810 million) and acquisition of customer base of R5 million (2019: R15 million).
3. Lease liability payments includes interest on lease liabilities of R713 million (2019: R608 million).
4. Movements included in cash generated from operations relate to money held on behalf of M-Pesa customers, which is not available for use by the Group.
5. This represents the finance costs paid of R1 923 million (2019: R2 420 million), as extracted from the condensed consolidated statement of cash flows for the six months ended 30 September 2020, net of Interest on lease liabilities of R713 million (2019: R608 million).

Additional financial and operational measures

This announcement contains certain financial (i.e. Vodacom Business service revenue and EBITDA) and operational (i.e. customers, ARPU and number of employees) measures which are presented in addition to the financial information disclosed in the interim condensed consolidated financial statements for the six months ended 30 September 2020 which have been prepared in terms of IFRS. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the interim condensed consolidated financial statements for the six months ended 30 September 2020. The financial measures have been extracted from the management accounts upon which the condensed consolidated financial statements for the six months ended 30 September 2020 are based. Refer to page 13 for details relating to capital expenditure and the supplementary information on pages 48 to 52 for a reconciliation thereof to the reported results included in this announcement.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Connected Farmer, Vodafone Supernet, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This announcement which sets out the interim results for Vodacom Group Limited for the six months ended 30 September 2020 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations including the confirmation of the Group's targets, expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the

development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Vodacom Business and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodacom does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)
Registration number: 1993/005461/06
(ISIN: ZAE000132577 Share Code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
(Vodacom)

Directors

SJ Macozoma (Chairman), MS Aziz Joosub (CEO),
RK Morathi (CFO), V Badrinath¹, DH Brown, P Klotze²,
P Mahanyele-Dabengwa (Alternate NC Nqweni),
JWL Otty³, KL Shuenyane, S Sood⁴, CB Thomson,
LS Wood⁵ (Alternate F Bianco⁵)

1. French 2. Swedish 3. British 4. Indian 5. Italian

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Transfer Secretary

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Sponsor

UBS South Africa (Pty) Limited

ADR Depository Bank

Deutsche Bank Trust Company Americas

Company Secretary

SF Linford

Investor Relations

JP Davids

Media Relations

Byron Kennedy

